

Message Text

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C O N F I D E N T I A L STATE 297463

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TAGS: PFOR, EAID, FR, PO, US

SUBJECT:US ECONOMIC AID TO PORTUGAL

REF: (A) PARIS 31808 NOTAL (B) LISBON 7383 NOTAL
(C) OSLO 5527 NOTAL

1. FOR INFO OF ALL ADDRESSEES, LISBONS USEFUL SUMMARY OF
US AID FOR PORTUGAL IN FYS '75 AND '76 (REF B) IS
REPEATED IN PARAS 2 AND 3 BELOW WITH SOME ADDED DETAILS.

2. US FY 1975 AID: \$15 MILLION (OF WHICH \$750,000 GRANT)
FOR LOW-INCOME HOUSING (\$13.25 MILLION) AND FOR TECHNICAL
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ASSISTANCE AND TRAINING. IN ADDITION \$20 MILLION IN PRI-

VATE FUNDS GUARANTEED BY USG(AID) WAS MADE AVAILABLE FOR HOUSING. HOUSING PROGRAM IS NOW UNDER WAY AND FIRST PORTUGUESE ARE TRAINING IN THE US. ALSO, IN MAY 1975

EX-IM BANK APPROVED LOAN OF \$4.5 MILLION AND GUARANTEE OF ANOTHER \$4.5 MILLION IN LOANS FROM PRIVATE US SOURCES FOR PURCHASE OF REFINERY EQUIPMENT BY "PETROSUL", PORTUGUESE OIL COMPANY IN WHICH GOP HAS A MAJOR INTEREST.

3. US FY 1976 ASSISTANCE:

A. ABOUT \$7.5 MILLION WAS USED TO FINANCE THE US GRANT CONTRIBUTION TO THE AIRLIFT OF REFUGEES FROM ANGOLA.

B. \$35 MILLION GRANT TO ASSIST PROGRAMS FOR THE RELIEF, RESETTLEMENT AND EMPLOYMENT OF RETURNEES FROM ANGOLA; PAPERS FOR FIRST PART OF GRANT EXPECTED TO BE SIGNED THIS MONTH.

C. EX-IM BANK LOANED \$18.5 MILLION AND GUARANTEED ANOTHER \$5.5 MILLION LOAN FROM US PRIVATE SOURCES IN OCTOBER 1975, FULFILLING A COMMITMENT MADE IN 1974 AND PERMITTING PORTUGUESE NATIONAL AIRLINE (TAP) TO TAKE FINAL DELIVERY UNDER ITS CONTRACT FOR TWO BOEING 727S (DELIVERED IN MARCH) AND ONE 747 (DELIVERED IN OCTOBER).

D. \$20 MILLION FOR DEVELOPMENT AS FOLLOWS: \$1 MILLION GRANT FOR TECHNICAL ASSISTANCE, \$2 MILLION LOAN FOR FEASIBILITY STUDIES AND OTHER CONSULTING SERVICES, AND \$17 MILLION IN LOANS FOR PROJECTS IN AREAS SUCH AS AGRICULTURAL AND INDUSTRIAL MODERNIZATION. NOTE: ANY DISCUSSION OF THESE ITEMS SHOULD BE RESTRICTED -- SEE PARA 4 BELOW.

E. \$15 MILLION PL 480 TITLE I LOAN FOR AGRICULTURAL COMMODITIES.

F. ABOUT \$20 MILLION TENTATIVELY PLANNED UNDER OUR HOUSING INVESTMENT GUARANTEE PROGRAM FOR LOW-INCOME HOUSING. NOTE: ANY DISCUSSION OF THIS ITEM SHOULD BE RESTRICTED -- SEE PARA 4 BELOW.

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G. IN ADDITION WE HAVE TRIED TO BE HELPFUL WITH IMF AND OTHER INTERNATIONAL AGENCIES.

4. ALL ADDRESSEES: ANNOUNCEMENTS AND SIGNATURES UNDER AID PROGRAM ARE BEING TIMED TO MAXIMIZE POLITICAL BENEFIT FOR DEMOCRATIC FORCES IN PORTUGAL, EXPECIALLY PINHEIRO AZEVEDO GOVERNMENT. ALTHOUGH CONGRESSIONAL PRESENTATION OF FY

1976 PROGRAM (PARA 3 ABOVE) WAS UNCLASSIFIED AND PUBLIC, IT HAS NOT RPT NOT ATTRACTED MUCH ATTENTION, AND NEITHER THE \$20 MILLION DEVELOPMENT PROGRAM NOR THE NEW \$20 MILLION HOUSING INVESTMENT GUARANTEE HAVE BEEN DISCUSSED WITH THE GOP OR PUBLICIZED. CONSEQUENTLY, YOU SHOULD MENTION THESE LATTER TWO ITEMS ONLY AS POSSIBILITIES AND YOU SHOULD CAUTION HOST OFFICIALS TO TREAT THEM AS "CONFIDENTIAL". MOREOVER, FINAL APPROPRIATION ACTION, WHICH IS STILL PENDING, COULD CHANGE SOME OF THE AMOUNTS

IN THE PROPOSED FY 1976 PROGRAM.

5. FOR OSLO: APPRECIATE YOUR ACCOUNT OF PROPOSALS FOR NORWEGIAN AID TO PORTUGAL (REF C).

6. FOR PARIS: WE WOULD LIKE TO KNOW WHAT, IF ANNYTHI FRANCE MAY PLAN TO DO FOR PORTUGAL BILATERALLY.

7. FOR USEC: YOU MAY INFORM COMMISSION OF ABOVE IN CONTEXT OF ON-GOING US-EC CONSULTATIONS ON ASSISTANCE TO PORTUGAL. WE NOTE THAT EC-PORTUGUESE AID DISCUSSIONS ARE TO TAKE PLACE JANUARY 7 IN BRUSSELS AND THAT COMMISSION OFFICIALS ARE HOPEFUL EC'S EMERGENCY AID FUNDS CAN BEGIN TO FLOW IN NEXT FEW MONTHS. (REF C). OUR IMPRESSION OF THE PLEDGE OF 150 MILLION UNITS OF ACCOUNT FROM THE EUROPEAN INVESTMENT BANK IS THAT THE LOANS WOULD BE TIED TO SPECIFIC INVESTMENT PROJECTS AND CONSEQUENTLY WOULD MOVE SLOWLY GIVEN THE UNDERSTANDABLE DELAYS IN DEVELOPING PROJECTS IN PORTUGAL. WHILE NEW DATE HAS NOT RPT NOT BEEN SET FOR VISIT TO LISBON BY USAID OFFICIALS FOR PURPOSE OF GENERAL ECONOMIC AND PROGRAM REVIEW, WE WILL ATTEMPT TO SCHEDULE CONSULTATIONS IN BRUSSELS IN CONNECTION WITH SUCH TRAVEL WHEN IT DOES TAKE PLACE.

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8. OTHER ACTION ADDRESSEES: WOULD APPRECIATE UPDATES ON HOSTS' ASSISTANCE PLANS. OUR UNDERSTANDING IS THAT THUS FAR EUROPEANS HAVE GIVEN ONLY SMALL AMOUNTS OF BILATERAL AID, EXCEPT FOR FRG WHICH HAS PLEDGED DM 70 MILLION. INGERSOLL

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